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Farm Records for Idaho Farmers

By
C. O. Youngstrom and Karl Hobson

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Farm Records For Idaho Farmers

By

C. O. Youngstrom and Karl Hobson*

Reasons for Keeping Farm Accounts

ACCOUNTS or records of some form are as essential in the modern business of farming as in other commercial enterprises if the greatest success is to be attained. A farmer is interested not only in making his farm business pay but also in improving his returns and increasing his net worth. Farm records will aid the farmer as a manager in attaining these objectives. Time spent on keeping records may result in greater return to the farm business than a similar amount of time and effort expended on any other managerial function or enterprise connected with the farm. Fortunately, ample records of kinds most useful on the usual type of farm can be kept with the expenditure of only a small amount of time and at an hour of the day when it does not compete with other productive farm work.

Among the significant reasons why the more successful farmers keep accounts, probably the first would be to indicate whether the farmer is making money or is going behind in his business. In this way the accounts give a historical record of the financial performance of the farm, thus enabling the farmer to know how he stands financially at the end of any given accounting period, and also to make comparisons with previous years or seasons to note the progress he is making.

A second important reason why a farmer may wish to keep records is to provide for what the accountant would call better "control" of farm operations. That is to say, records give the farmer a means of checking to see if the business is conforming to the plans or objectives which he had in mind. They may enable him to correct defects or failures in performance before they seriously affect the farm business. This applies not only to financial plans or objectives, but also to records of physical performance or technical efficiency such as milk or egg production records.

Those farmers who have use for credit often find farm accounts a real aid in preparing a financial statement to be presented to a loaning agency as a prerequisite to obtaining a loan. Adequate records are also especially useful in connection with filing income tax returns.

Probably the most important single purpose which farm accounts may serve is as a basis for needed adjustments in the operation of the farm, in which case they present the basic information which may be used in developing the farm plan or farm budget for the ensuing season. If farm records were used only for the purpose of furnishing a record of either financial or physical performance for a given period, they would, of course, be interesting to any farmer who kept them and worth while

*Extension Economist and Assistant Extension Economist, respectively.

as a means of measuring the accomplishments or progress of the farm business. But it is a real advantage in planning the future operations of the farm to have as a guide a set of farm accounts. Since all farmers either consciously or unconsciously formulate plans for their business for the coming season, the contribution which records make to the managerial function of planning the farm business has long been recognized by the more careful and successful farmers.

Types of Farm Records

There are many types of records which might be set up for use on the farm. The important items to consider in determining the kind of accounts to be kept would be: first, to decide on the nature and extent of the information needed about the farm business, and then, to determine the simplest type of record which, if properly kept, would furnish that information. The nature of the farming business is such that rather detailed or complicated accounting systems may be set up, but for most farms such detail is not necessary or even advisable. The more time and care put into keeping the records, the more accurate and revealing they will be; but it must be remembered that diminishing returns for the time and effort spent on records will appear in the same way as for any other enterprise. Few farmers, however, reach the point of diminishing returns with respect to the time spent on record keeping.

The more important kinds and types of records that may be kept on the farm are classified here and briefly described. From this listing, the farm operator may secure suggestions to help him decide upon the records he wishes to keep.

The Annual Inventory

This record is considered by many as the most important single account. It is a listing of the various classes of property owned by the farmer together with their valuation and provides a statement of his net worth. By making comparative annual inventories, the progress of the farm business, as measured by net worth, can be noted. The inventory record serves as a basis for whatever sort of financial account is kept, whether it is a simple single entry system of cash expenses and receipts or a complicated cost accounting set of books. A fuller discussion of the inventory will be found later in this circular under a special section devoted to this subject. A record form prepared particularly for keeping an inventory may be secured free of charge from the County Agent or from the Agricultural Extension Service at Boise or Moscow.

Simple Cash Expense and Receipts Account

It is this record which, when combined with the annual inventory statement mentioned above, constitutes the best and most useful set of accounts for most farmers. It avoids the complications and tedious work of more detailed systems, and yet, if properly summarized and analyzed by the operator, will yield very useful information. The Agricultural Extension Service at Boise or Moscow or the County Agent will furnish

upon request a book prepared especially for use in keeping such a record. A more complete description is found later in a special section devoted to this type of record.

Supplementary Production or Statistical Records

For some farmers additional records of a more specialized type may prove of value. For example, a poultryman or dairyman might use to advantage a detailed production record of his flock or herd. Feed consumed by the various livestock enterprises, if recorded and compared with the output of livestock products, may serve as a helpful check on the performance of these enterprises. The yields of the different crops on the various fields of the farm when recorded for a period of years may help to point out the effect on fertility of rotations that are being followed,

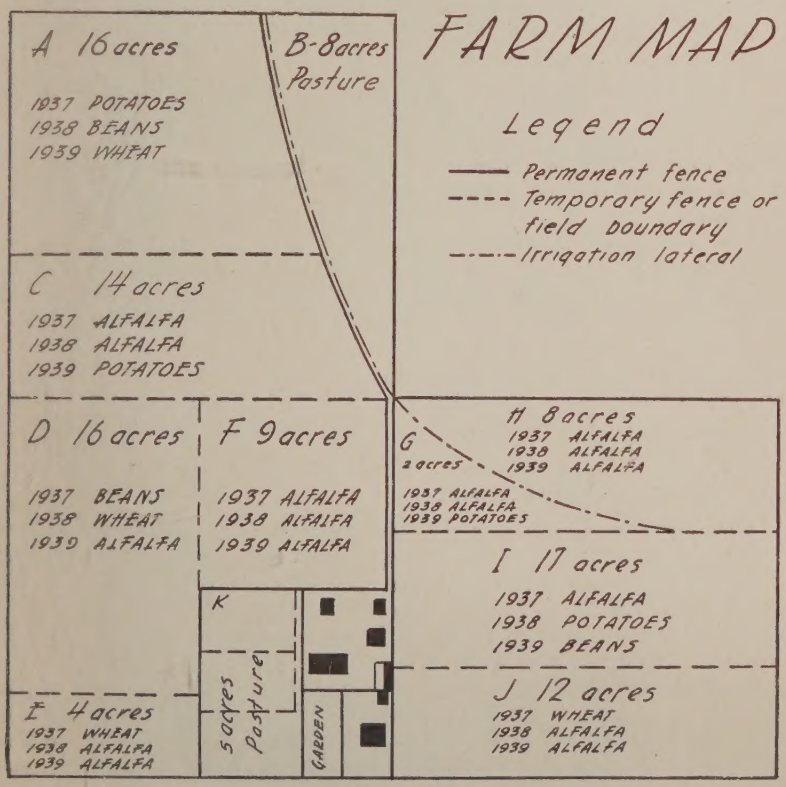

Figure 1.—Sketch of farm map. This outline map shows the principal physical features, such as location of farm buildings, ditches, lanes, permanent fences, size and shape of fields, and main roads. It also shows the crops to which the various fields have been devoted in recent years. On this farm these crops represent three years of a six year rotation consisting of wheat, alfalfa, (3 years) potatoes, and beans.

and the study of such records might suggest different cropping systems from the standpoint of fertility maintenance or improvement.

A map of the farm is found by some operators to give useful information. Oftentimes such a map *(See Figure 1 for an example)* may bring to the farmer's attention changes in layout or field arrangement which would result in more efficient use of labor or better adjustment in size of fields. Such maps should be made with reasonable accuracy and should show the main features of the farm, such as roads, fences, irrigation ditches, and location of farm buildings. Keeping a record of the crops grown each year on a map of this sort is found by some farmers to be a good means of recording the rotation system being followed on each field.

There are, in addition to the supplementary accounts already cited, others such as breeding records, particularly for the producer of purebred livestock; labor records giving in some detail the time devoted to different enterprises and tasks; and household accounts which record personal expenses of the home and family.

While all of these various records may fill certain needs in particular situations and for different types of farms, probably their greatest use is to serve as a basis for planning future operations or setting up a budget. Along with records of other cost factors, reasonably accurate measures of feed needed for the different types of livestock on the farm, labor requirements both as to amount and time or season demanded by the various enterprises, yields of crops and output or rate of growth of livestock enterprises are all essential to well-thought-out-planning for the year ahead. Such information is necessary if adjustment to bring about the most profitable combination of enterprises is undertaken by the farm operator.

For those farmers who desire to keep any of these special supplementary records, suggestions about forms may be had by consulting with the County Agent or by writing to the Agricultural Extension Service at Moscow or Boise.

The Single Enterprise Account

Some producers wish to have detailed information regarding one particular enterprise on their farm in order that they may have a better idea of costs or returns pertaining to that part of the farm business. While such a record usually is kept on livestock or crop enterprises, it may also be used to study costs and efficiency factors relating to a tractor or combine, etc. Some farmers wish to keep cost accounts on certain of their products and use this method rather than applying a cost accounting system of records to their entire farm business. This simplifies their problem somewhat, although any method of determining cost of production is likely to require more time and effort than the simple record of expenses and receipts mentioned on page 4 even though this simpler record covered the whole farm business.

Individuals who may want to have assistance in setting up single enterprise accounts may consult with the County Agent or write the Agricultural Extension Service at Moscow or Boise.

Cost Accounts

While most farmers do not feel repaid for the time devoted to keeping a complete set of cost accounts for their farm, there are some who wish to keep and analyze such a system of records. The U. S. Department of Agriculture Farmers' Bulletin 572, *A System of Farm Cost Accounts,* is recommended as illustrating and describing a usable set of records for those who wish more detailed information that will show costs and returns by enterprises.

The Farm Plan or Budget

This item, which is listed here with other types of farm accounts, is not a record of the present status of the farm business or of what has taken place on the farm, but is a plan for the operation of the business during an ensuing period of time. The farmer is interested in adjusting the various enterprises on his place so that the combined returns from all of them are the largest possible over a period of years. Records such as those previously discussed are especially valuable in contributing definite information to serve as guides or measuring sticks for the farmer to use in formulating a budget or plan which will yield him the greatest income from his business. More information on the usefulness of a farm budget and methods for developing one for a particular farm can be found in Idaho Agricultural Experiment Station Bulletin 188, *Planning the Farm Business for the Year Ahead,* and in U. S. Department of Agriculture Farmers' Bulletin 1564, *Farm Budgeting.* These bulletins, as well as forms for writing out the budget or plan for the farm, may be obtained from the County Agent or the Agricultural Extension Service at Moscow or Boise.

The Inventory

The annual inventory of farm property is a list of the items owned by the farmer and used in the operation of his business, together with their valuation, and to be complete should also include a statement of accounts owed to others as well as those receivable or owing to the farmer. This classified list of property might be grouped under the following conventional headings:

1. REAL ESTATE: land, buildings, and permanent improvements.
2. LIVESTOCK: classes of productive livestock, such as cattle, dairy herd, hogs, etc., and work stock.
3. EQUIPMENT: machinery and tools.
4. FEED AND SUPPLIES: grain, hay, posts, fertilizer, seed, unsold farm products.
5. GROWING CROPS: value of crop work done prior to taking inventory.
6. CASH ON HAND AND NOTES OR ACCOUNTS RECEIVABLE.
7. LIABILITIES: accounts payable, notes, mortgages, or other farm obligations.

What the Inventory Will Show

The inventory reveals certain things about the farm business that cannot be found in any other of the farm accounts which might be kept. For example, it will give the total investment in the farm, and, when considered with a statement of liabilities of the business, it will indicate the net worth of the farmer. By comparing inventories at the beginning and end of a year or period of years, the progress of the farmer in accumulating assets or increasing his equity in the business will be revealed. Such a comparison would, of course, show with equal facility if the farmer were going behind instead of making progress in these respects. The

FARM INVENTORY

ITEM	NO. OF AM'T	VALUE PER UNIT	VALUE		ITEM	NO. OF AM'T	VALUE PER UNIT	VALUE	
REAL ESTATE					MACHINERY & EQUIP.				
Crop			$		Wagons			$	
Posture					Manure Spreader				
Waste					Tractor				
Dwelling					Truck				
Farm Buildings					Plows-walking				
(List)					gang				
					tractor				
					Harrows				
					spike tooth				
Fences					springtooth				
Other Improvement					disk				
(List)					Drills-grain				
					grass seed				
					Combine				
					Binder				
TOTAL REAL ESTATE					Header				
Livestock					Header boxes				
Horses					Potato planter				
(List by name)					Potato digger				
					Hay Slips				
					Small T—				
SUB TOTAL	XX	XX			TOTAL	XX	XX		

Figure 2.—Sample of inventory form. This inventory is a property list for one year. Comparisons may be made with similar lists taken for previous years to determine the amount of increase in assets, extent of depreciation, etc.

extent of depreciation of farm property is an item which is not always clearly evident without the aid of an inventory showing the appraisals of the different classes of property and changes that these valuations have undergone over a period of a year.

Credit institutions often demand a net worth statement from borrowers; such a statement can be prepared from the inventory. Similarly, an inventory may be of considerable value in the event claims are made on insurance covering fire loss.

If a farmer is going to keep more complete farm records, such as a simple expense and receipts account, he will find that an inventory is essential if a worthwhile summary and analysis are to be made of the business records of the farm.

Limitations of the Inventory

The inventory as a separate or independent account has certain limitations. That is, as a method of accounting, the inventory alone would not show such important details of the farm business as sales or purchases connected with the different enterprises, or why any specific transaction took place. It would not reveal why any money was borrowed, when any of the farm obligations were settled, nor would it yield much information which in itself would indicate the profitability of the various farm enterprises. An important consideration influencing most farmers who keep farm accounts is the opportunity which they present for studying out possible shifts or adjustments in the farm in order to bring about a better

FARM INVENTORY

ITEM	ORIG. COST	DATE ACQUIRED	JAN-1 1938		JAN-1 1939		JAN-1 1940		JAN-1 1941		JAN-1 1942	
			NO. OR AMT	VALUE	NO. OR AMT	VALUE	NO OR AMT	VALUE	NO OR AMT	VALUE	NO OR AMT	VALUE
REAL ESTATE				$		$		$		$		$
Crop Acres												
Pasture												
Other												
Dwelling												
Barn												
Fences												
Other Improvements												
TOTAL												
Machinery and												
Equipments												
Wagons												
Truck												
Tractor												
TOTAL	XX	XX										

Figure 3.—Sample of inventory form. The principal advantages of a form such as this lie in the fact that a new property list does not have to be made out each year and that ready comparisons may be made with valuations of previous years. Blank lines should be left for entering additional items as required. If a loose leaf notebook is used for the inventory, this type of record form may be used for a period of a good many years.

income. An analysis of an inventory statement alone will not usually help much in planning the future operations of the business, but the addition of simple financial records to the annual inventory is generally found very helpful for this purpose.

Types of Inventory Forms

The kinds or types of forms which may be used for keeping an inventory may be varied to suit the convenience or needs of the individual farm. Figures 2 and 3 show suggested forms used by some. Special forms may be secured from the Agricultural Extension Service, or an inexpensive notebook or columnar record book may be used. Some farm account books have provided space where the inventory may be entered in the same record book as the financial accounts.

A convenience which permits ready comparisons between inventory statements is to arrange to have several years entered in one book in adjoining columns as shown in Figure 3. This eliminates copying the closing inventory for any one year into the following year's record book as the beginning inventory for the ensuing year, and at the same time this form enables the farmer to make ready comparisons with other years. The property may be grouped according to the usual headings as listed on page 7 for this puts the different classes together for summary. It will be found convenient, when using the same book for several years, to leave extra lines in each property subdivision for entering additional items as they may be acquired.

Time for Taking Inventory

The most suitable time for taking the inventory may vary with different types of farms or with the circumstances affecting individual cases. Most farm record keepers prefer the calendar year basis beginning January first. Besides the advantage of conforming to the customary or conventional calendar year, this method has the additional favorable point of conforming to the income tax year. It is possible, of course, to adjust an inventory taken at some other date to a January first basis in order to report for income tax purposes.

Some farmers like to take their inventory later in the spring on March first or April first when their feed and other supplies are rather well used up and before spring work starts. These dates are also often used by tenants whose lease expires at that time. Poultry producers may wish to start their inventory in the fall when the pullets are added to the flock or when the hens are established in winter quarters.

The main point to consider in choosing the date to start the inventory and farm record is to select a time which is most convenient and conflicts least with other farm work and make that the date to begin the record keeping each year. The closing inventory should then be taken 12 months later to complete the annual record.

Valuation of Inventory Items

Making the proper estimates of values to attach to the items listed in the inventory is an important phase of the task of starting this type of record. It calls for the exercise of considerable judgment and requires more care than merely making the count or listing and classifying the property. Conservative values that are neither extremely high or extremely low are advisable if one is to avoid having the inventory present false gains or losses. Experience and good judgment enable the record keeper to come reasonably close to the true figures which will not distort the picture.

In appraising the value of farm land, the original or actual cost may be a suitable figure to use if the land has been recently purchased and this figure reflects a reasonable market value. It is best to attempt to place a value on the land in line with what it would bring for farming purposes at voluntary sale during normal times. This method will minimize wide fluctuations and reduce unrealistic or paper profits or losses which may be portrayed if care is not exercised. Buildings may be valued at cost of construction less a reasonable depreciation, or at estimated cost of replacement less depreciation resulting from time used. It is as essential that appraisals be conservatively made on this class of property as on land in order that the inventory reflect the true situation. Valuations on machinery and equipment are usually made at cost less depreciation calculated on the basis of probable remaining years of usefulness and considering junk or residual value when the equipment is discarded or replaced. It may be important to consider replacement cost in arriving at the valuations of machinery, particularly in the event that marked changes have taken place in the price at which new pieces of equipment can be obtained.

For livestock, the most satisfactory valuations generally follow closely the market price on the farm. This would be either local sale price or price at a market center less the cost of getting the livestock to market. Market valuations may fluctuate more or less from year to year and thus will influence the worth of the property owned. Disregarding this influence of changes in market price of marketable livestock might seriously affect the accuracy of the inventory statement. Work stock and animals making up the breeding herds should have valuations established that are in line with the normal trend of market price.

As with livestock, crops and feed unsold at the time the inventory is taken should be appraised at the farm prices or at market price less the cost of getting to market. For farm supplies which have been purchased, the cost prices may be used. These should include the cost of getting the supplies to the farm from their point of purchase.

Depreciation of Property and Equipment

Depreciation is a factor that must have consideration in the proper preparation of a useful inventory. It is simply a way of accounting for the deterioration and obsolescence of the permanent or long lived equipment or assets of the farm and makes allowance in the inventory statement for this decreased value. For a tool or piece of equipment which is used

up in one year, its value would be completely written off and the original cost would appear in the classified expenses with no credit in the inventory at the end of the year to offset this expense item. With those pieces of equipment which last longer than one year or through one accounting period, the purchase price or cost must be spread out over the life of the asset and by carrying on the inventory the unused value of the item, the cost is distributed during its usefulness.

There are several ways in which depreciation may be calculated. Probably the most widely used in farm accounting is the straight line method which reduces the value of the asset by a fixed amount each year, this amount being determined by the length of life or period of usefulness of the item under consideration.[1] The simplicity of applying this method probably more than offsets objections that might be raised against it. Another method would be to apply a fixed percentage rate of depreciation to the value of the asset at the beginning of each year. This would reduce the value more rapidly during the early life of the piece of equipment and more slowly as it became older. Such a method might reasonably be applied, for example, to certain types of machinery such as a farm truck, the market value or price of which would fall sharply the first year after it had been purchased new and then more slowly thereafter. A third method might be suggested for those types of equipment which wear out slowly when first purchased and are relatively new, and then more rapidly as they become older and require an increased amount of tinkering and repairs.

There is ordinarily a great deal of difference between the rates at which the various assets or equipment owned by a farmer wear out, and, to allow for this, care should be exercised in establishing the depreciation to charge against the different items. The method for calculating depreciation that will prove most satisfactory will be the one that will most nearly reflect the true condition of the assets at the time of the inventory. If this is borne in mind, the problem of depreciation will not offer much difficulty.

Cash Receipts and Expense Accounts

The next step in providing an adequate system of farm records following the preparation of the inventory is to set up a simple system of financial accounts where expenses and receipts relating to the farm business are recorded. A summary of the financial accounts may then be combined with the inventory in the preparation of a business summary of the entire farm which would reveal farm and labor income, changes in net worth, and which upon closer study would indicate many of the factors influencing the efficiency of the farm.

[1]A piece of machinery costing $1,000 and estimated to have a life of 10 years and a junk or trade in value of $100 at the end of that time would be depreciated $90 a year, i.e., $1,000 less $100 or $900 divided by 10.

Types of Record Books

There is a great variety of forms and record books that might be used for these simple accounts of expenses and receipts. In general, the best one to use is the one that is least complicated and affords the greatest promise of being carried to completion. A set of account records that has been kept for only part of the year offers little or no help to the individual attempting to improve returns from his farming operations by analysis of his financial record.

Two typical sorts of record forms that might serve as guides in choosing the kind of book to use have been illustrated in Figures 4, 5, and 6. Variations of these types may be made by those who wish to devise a setup which will be better adapted to situations peculiar to their own farms. Upon request, the University Extension Service, through the local County Agent or from the Moscow or Boise office, will supply a free copy of a record book which may be used satisfactorily on most any of the typical farms in the State.

FARM RECEIPTS

DATE	DESCRIPTION of ITEM	TOTAL AM'T	POTATOES	GRAIN	OTHER CROPS	DAIRY	POULTRY	HOGS	OTHER LIVESTOCK	MISC.
		$	$	$	$	$	$	$	$	$
	TOTAL									

FARM EXPENSES

DATE	DESCRIPTION of ITEM	TOTAL AM'T	FEED	SEED	LABOR	MACHINERY EXPENSE	LIVESTOCK BOUGHT	SUPPLIES	MISC.
		$	$	$	$	$	$	$	$
	TOTAL								

Figure 4.—Suggested forms for columnar type receipts and expense account. Using this type of record form permits easy modification by a different classification of enterprises or accounts as will best suit the farm.

In Figure 4 will be found the accounts classified and set up on a columnar basis with expenses and receipts facing each other on opposite pages. The breakdown of the accounts between enterprises may be changed or arranged to suit the farm involved with additional detail pos-

sible by using more columns. It will be noted that, on the basis of enterprises, the classification of receipts is somewhat more complete than the classification of expense items. Usually it is much more feasible to identify the income as coming from a certain enterprise than it is to distribute expenses on this basis. For instance, feed may be purchased for different livestock enterprises, machinery and other supplies used on different crops in varying proportions, making it more difficult to properly

DAIRY
EXPENSES & RECEIPTS

DATE	DESCRIPTION of ITEMS	EXPENSES	RECEIPTS
		$	$
	TOTAL		

CROPS
EXPENSES & RECEIPTS

DATE	DESCRIPTION of ITEMS	EXPENSES	RECEIPTS
		$	$
	TOTAL		

MACHINERY
EXPENSES & RECEIPTS

DATE	DESCRIPTION of ITEMS	EXPENSES	RECEIPTS
		$	$
	TOTAL		

Figure 5.—Suggested expense and receipt record forms. Each of these accounts may occupy one or several pages as may be necessary and may be set up to fit requirements for any particular farm. For example, additional amounts may be needed for specific crop or livestock enterprises or for labor and miscellaneous items.

assess the costs against particular enterprises. Some may prefer instead of separating the expenses and receipts on different pages, to follow the same general plan suggested by the form in Figure 5, and to have each heading for the different enterprises and accounts divided into two columns, one for expenses and one for receipts. Totals of these accounts may be entered in the farm business summary (See page 18) at the end of the year where it can be combined with the inventory to provide a more complete analysis of the results of the farm operations for the year.

Another common way in which the record of expenses and receipts can be conveniently organized is to devote one page, or several pages if necessary, to some one account. In this way, the records of the more important enterprises are kept separately. Receipts, for example, might be classified into sales of dairy products, hogs, lambs, poultry, grain, potatoes, or other significant enterprises of the farm as may be necessary or useful. Groupings of expense items might be made under such headings as livestock purchased by classes or enterprises, if desired; feed bought; labor expense; equipment costs; investment in new machinery and equipment; general farm expenses; as well as other headings as circumstances may require. It is quite likely that there will need to be both miscellaneous expense and receipts accounts to take care of those items not readily classified or assigned to single enterprises or accounts. Figure 6 illustrates portions of typical pages of a record book setup which follows the system just described.

Financial Summary

After such a set of records has been kept, the job at the end of the year would be to summarize and combine with the inventory statement in such a way that the important facts relating to the profits or losses for the farm business are revealed. This is not a complicated operation, but does require the exercise of sufficient care to insure reasonable accuracy in totaling and entering properly the summary data.

This farm business summary has places to record (See page 18) all of the important items obtainable from the inventory and the financial accounts. Receipts may be entered according to whatever classifications have been followed in the farm record book and the same would apply to entering the expense totals. The difference between these totals of cash expenses and receipts would be the cash farm income. Any change in inventory value of the farm property would be applied to this cash income figure to determine the income which had accrued to the farm. This is called the farm income and if interest on investment in the farm business is subtracted, labor income for the farm family would be the amount remaining. If there is some basis for estimating the amount and value of any time and effort devoted to the farm business by members of the family other than the operator and for which no pay was received, this figure representing unpaid family labor may be deducted from the family labor income in order to reveal the operator's labor income. This would be the return to the operator for his labor and management, but would not include credit for the fact that the farm furnished a house in which to live and, in addition, possibly certain farm products for family use or consumption.

(A) MACHINERY EXPENSE ACCOUNT

REPAIRS - GAS - OIL - GREASE

DATE	DESCRIPTION of ITEM or TRANSACTION	AMOUNT of EXPENSE
		$
	TOTAL	

PURCHASED FEED ACCOUNT

DATE	KIND of FEED	UNIT	NUMBER OF WEIGHT	AMOUNT of EXPENSE
				$
	TOTAL	X X	X X	

(B) DAIRY PRODUCTS SOLD

DATE	DESCRIPTION	AMOUNT OF QUANTITY	VALUE	DATE	DESCRIPTION	AMOUNT OF QUANTITY	VALUE
			$				$
	SUB TOTAL	X X			TOTAL	X X	

CROPS SOLD

DATE	NAME of CROP	PRICE PER UNIT	AMOUNT OF QUANTITY	VALUE	DATE	NAME of CROP	PRICE PER UNIT	AMOUNT OF QUANTITY	VALUE
				$					$
	SUB TOTAL	X X	X X			TOTAL	X X	X X	

Figure 6.—Suggested forms for recording expenses and receipts. The forms given in part "A" of the above figure are typical for accounts of expenses; in "B" the forms relate to receipts from certain enterprises. Additional forms somewhat similar in type to those shown covering other enterprises and accounts would be found in a complete farm record book.

It can readily be seen that these income figures as calculated may be subject to a variety of interpretations. For example, the summary may reveal that the family labor income for a particular farm may show a very low or even a minus figure, yet the family during the past year had lived well and had felt that they were making satisfactory progress. If this is the situation, it is probable that their living has come out of the item called interest on investment which they have deducted from farm income, assuming there had been little change in inventory values. By this method the returns for labor may be made to look small, whereas in reality the interest credited to the capital investment may have been too high. Too often in this calculation the farmer charges a rate of interest higher than he could earn net if the money were invested in securities or other lines of business, and thereby shows the return for his labor as being unreasonably small. Actually, the farmer and his family have at their disposal the returns which have been earned by both their labor and their capital and it is only by arbitrarily assigning an interest rate or a wage rate that the income to each factor may be separated.

An observation concerning the effect of changes in inventory values on the income figures determined by the methods outline could well be made here. It may be that, due to speculative activity, the sale price of land has advanced rapidly during the period covered by the farm account and that the individual keeping the records has shown this as a sharp upward change in the inventory valuation. When this inventory increase is added to the net cash income, it gives an inflated and unreal picture to the farmer. Unless he sells the property at this high figure, he is unable to realize on this increase and his figures are merely paper profits. Similarly, unreasonably sharp decreases in land values might result in a low farm income unwarranted by the actual situation. It is essential, therefore, that due care be taken in conservatively evaluating the items on the property list and that a correct interpretation be made of the income figures calculated in the summary of the farm business.

Value of Farm Accounts in Planning the Farm Business

If farm accounts were to serve only for the income statement at the end of the year, many farmers would not feel that their effort in keeping accounts had been fully repaid. It is only when these accounts are used as the basis of future planning for the farm that their worth as a contributor to increased returns is manifested.

The farmer is interested in finding ways and means of increasing his income and is, therefore, continually confronted with the need for deciding on what adjustments he can make most profitably. Such planning is done either consciously or unconsciously and may be based on such indefinite and oftentimes illusory factors as relative prices received for products sold during the past year, hunches, practices followed by neighbors, propaganda advanced by dealers, and other influences. Good farm records furnish the most reliable sort of information on which to base judgment as to the most likely combinations of enterprises as far as past performance and costs are concerned. Outlook information on probable future

FARM BUSINESS SUMMARY

Inventory and Net Worth Statement

	Beginning of Year	End of Year
Assets	.....	.....
Real Estate	.....	.....
Livestock	.....	.....
Equipment	.....	.....
Feed and Supplies	.....	.....
Growing Crops	.....	.....
Cash and Accounts Receivable	_____	_____
Liabilities	.....	.....
Accounts Payable	.....	.....
Notes	.....	.....
Mortgages	_____	_____
Net Worth	_____	_____
Inventory Increase or Decrease		_____

Income Statement

Receipts			
Livestock:	Dairy	.....	
	Poultry	.....	
	Hogs	.....	
	Cattle	.....	
	Sheep	.....	
	_____	.....	
	_____	.....	
Crops:	Grain	.....	
	Potatoes	.....	
	_____	.....	
	_____	.....	
	_____	.....	
Other Receipts			_____
Expenses			
Feed Purchased		.....	
Labor		.....	
Machinery		.....	
Livestock Bought		.....	
Taxes		.....	
_____		.....	
_____		.....	
_____		.....	
			_____

Net Farm Cash Income: subtract cash expenses from cash receipts..... _____

Inventory Increase or Decrease: difference between beginning and ending inventory ..... _____

Farm Income: cash income with allowance for change in inventory..... _____

Interest on Investment: nominal interest charged on average net worth _____

Family Labor Income: farm income less interest on investment..... _____

Value of Unpaid Family Labor: estimated value of work by family which is unpaid ..... _____

Operator's Labor Income: family labor income less value of unpaid family labor ..... _____

trends of farm prices, as well as data about or relating to other economic factors involved in the farming business is currently available, free of charge, to Idaho farmers. The publication, *Economic Facts for Idaho Farmers* is prepared by the Idaho Agricultural Extension Service and is intended to furnish the sort of information on prices and price trends that will be most helpful to the farm operator as he plans his business for the next year. Requests to be placed on the mailing list to receive this publication currently may be directed to the Extension Service, Moscow or Boise, or may be placed with the County Agent.

A comprehensive discussion of planning future farm operations and the usefulness of farm accounts in this connection is covered in Idaho Agricultural Experiment Station Bulletin 188, *Planning the Farm Business for the Year Ahead*. This bulletin, which may be obtained free upon request to the Agricultural Extension Service, discusses the development of a farm budget which is simply the plan for the next year's operations carefully set down with probable yields and out-turns from the different crops and livestock enterprises along with prospective prices and costs, all of which may be summarized to indicate probable returns from the combination of enterprises used. By changing the size or by making a different choice of enterprises and estimating the returns from these different combinations, the one most likely to yield the greatest profit can be picked as the plan to follow. Using farm accounts in this way to develop a budget emphasizes to the farmer that the important thing to consider is income from the farm as a whole, and not returns from individual enterprises. It is the proper fitting together of these various factors or enterprises that yields the greatest return for the entire farm.